

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: Road Commission of Macomb County	County Macomb
Audit Date September 30, 2005	Opinion Date December 15, 2005	Date Accountant Report Submitted To State: March 31, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 10 South Main Street, Suite 200	City Mount Clemens	State MI	ZIP 48043-7903
Accountant Signature 			

ATTACHMENT TO STATE TRANSMITTAL LETTER

A statement regarding reasons why a compliance audit is not required for the Road Commission of Macomb County follows:

The Road Commission's financial statements report \$11,755,418 of federal aid, all of which is administered by the Michigan Department of Transportation; the Road Commission has no control over these expenditures, nor does it have any administrative or other responsibilities for compliance with grant requirements. Therefore, it does not consider these to represent federal assistance to the Road Commission. The remaining federal grants, all of which are considered to represent financial assistance to the Road Commission, total less than \$500,000; therefore, no single audit was undertaken by the Commission.

Road Commission of Macomb County

Financial Report
September 30, 2005

Road Commission of Macomb County

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Independent Auditor's Report

To the Board of Road Commissioners
Road Commission of Macomb County

We have audited the accompanying financial statements of the governmental activities, the Road Fund (the Road Commission's only major fund), and the aggregate remaining fund information of the Road Commission of Macomb County (a component unit of Macomb County, Michigan) as of and for the year ended September 30, 2005, which collectively comprise the Road Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the Road Fund (the Road Commission's only major fund), and the aggregate remaining fund information of the Road Commission of Macomb County at September 30, 2005, the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the Road Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

December 15, 2005

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Road Commission of Macomb County

Management's Discussion and Analysis

As management of the Road Commission of Macomb County (the "Road Commission"), we offer the readers of the Road Commission's financial statements this narrative overview and analysis of the financial activities of the Road Commission for the fiscal year ended September 30, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding the Road Commission's basic financial statements. These statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The first two components are presented together on the governmental funds balance sheet/statement of net assets and statement of revenues, expenditures, and changes in fund balances/statement of activities.

Financial Analysis

Net assets enable governmental agencies to determine their overall fiscal position. The Road Commission of Macomb County's net assets increased 2.4 percent from a year ago, increasing from \$727.2 million to \$744.8 million. This increase was due primarily to the large amount of road construction, which generates additional infrastructure that will be maintained by the Road Commission. As you will note, current assets declined by \$8.4 million. This was due to a decrease in our cash and investments balance. Cash and investments declined by 20 percent due to a significant decline in revenues from the previous year. In a condensed format, the table below shows the comparison of net assets (in millions of dollars) as of September 30, 2005 to the prior year.

Condensed Statement of Net Assets

	2005	2004
Assets		
Current assets	\$ 54.7	\$ 63.1
Capital assets	<u>703.2</u>	<u>677.9</u>
Total assets	757.9	741.0
Liabilities		
Current liabilities	9.8	10.7
Long-term liabilities outstanding	<u>3.3</u>	<u>3.1</u>
Total liabilities	<u>13.1</u>	<u>13.8</u>
Net Assets		
Invested in capital assets	703.2	677.9
Unrestricted	<u>41.6</u>	<u>49.3</u>
Total net assets	<u><u>\$ 744.8</u></u>	<u><u>\$ 727.2</u></u>

Road Commission of Macomb County

Management's Discussion and Analysis (Continued)

Unrestricted net assets, which finance the day-to-day operations of road activity and the future growth of Macomb County for infrastructure, were \$41.6 million at September 30, 2005. This amount decreased approximately 15.6 percent from last year's unrestricted net assets of \$49.3 million. Again, this decline in unrestricted net assets is due to the fact that the Road Commission of Macomb County needed to expend \$8.3 million from the Road Fund to balance the budget for fiscal year 2005. The Road Commission of Macomb County secured contracts for approximately \$31.7 million of construction activities. Some of the expenditures for these projects will be incurred over future years as the projects are completed.

The following table shows the changes in net assets (in millions of dollars) as of September 30, 2005 and the prior year:

Condensed Statement of Activities

	2005	2004
Revenue		
State aid	\$ 44.8	\$ 40.3
Federal sources	11.8	23.5
Local and other sources	21.5	19.0
Land and roads released from developers	6.0	14.3
Total revenue	84.1	97.1
Expenses		
Maintenance	10.6	11.6
Administrative	22.3	21.1
Depreciation	33.6	31.5
Total expenses	66.5	64.2
Increase in Net Assets	\$ 17.6	\$ 32.9

Statement of Activities

The Road Commission's total revenue decreased by approximately \$13.0 million from the prior year. This decrease can be attributed to primarily two areas. First, the land and roads released from developers, which are reported as revenue on the statement of activities. Although many new miles of local roads were constructed in fiscal year 2005, these roads have not received final certification as of year end. As these roads are certified, they will be added to the Road Commission's infrastructure and recognized as revenue. Second, federal revenue and Michigan Transportation Funds were lower than fiscal year 2004. Expenses increased approximately \$2.3 million over last year. This was due in large part to the increased depreciation on infrastructure. Overall, net assets increased \$17.6 million from the prior year.

Road Commission of Macomb County

Management's Discussion and Analysis (Continued)

Road Fund Budgetary Highlights

Prior to beginning each new fiscal year, the Road Commission of Macomb County's budget is prepared based upon certain assumptions and facts available at that time. Throughout the year, the Road Commission's board amends the budget to reflect changes in these original assumptions, facts, and/or economic conditions that were unknown at the time the original budget was adopted. In addition, the board reviews and authorizes expenditures and capital equipment purchases throughout the year. The Road Commission amended its 2005 budget on several occasions during the year to reflect changes in equipment expense, maintenance expense, and status changes in budgeted construction projects. Final budgeted expenditures were \$15.6 million lower than the original budget due primarily to changes in construction projects. The actual revenues for fiscal year 2005 were higher than the amended budget, and expenditures on the construction exceeded the expected amount. The Road Commission secured contracts of approximately \$31.7 million of construction activities, and although actual expenditures on these contracts were greater than the amended budget, they were less than anticipated when compared to the original budget for fiscal year 2005.

Capital Assets

The Road Commission had \$703.2 million in capital assets at the end of the fiscal year. This amount represents a net increase of \$25.3 million from the previous year, or 3.7 percent. The Road Commission added over \$58.9 million to its investment in capital assets during the current year, including approximately \$51.1 million of infrastructure additions. The recorded amount of the infrastructure assets, net of depreciation contained in this report, is \$504.0 million and \$483.5 million for fiscal years 2005 and 2004, respectively. The infrastructure will continue to be the largest asset class.

Economic Factors and Next Year's Budget

Reductions in revenue sharing will directly affect the local units of government. This will in turn affect the amount of funds the local units will have available to participate in road projects. In addition, the Road Commission of Macomb County experienced a decrease of over \$2 million in Michigan Transportation Funds (MTF) as compared to fiscal year 2004. MTF dollars are the main source of income to cover operating expenses of the Road Commission including all road maintenance expenses and the Road Commission's share of construction expense. Without adequate increases in MTF revenue and revenue sharing, the Road Commission of Macomb County has diminishing resources for road improvements and maintenance activities. This decrease will directly impact the number of road projects that can be undertaken as well as the level of maintenance work the Road Commission of Macomb County can provide. The Road Commission is facing some difficult and challenging financial times. Revenues and expenditures will be monitored throughout the year to assure fiscal responsibility.

Road Commission of Macomb County

Management's Discussion and Analysis (Continued)

Contacting the Road Commission Management

This financial report is designed to provide a general overview of the Road Commission's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Road Commission of Macomb County, Michelle M. Mykytiak, finance and MIS director. For more specific information regarding construction projects, contact Robert Hoepfner, county highway engineer.

Road Commission of Macomb County

		Nonmajor Funds	
	Major Fund - Road	Postemployment Benefits	Capital Projects
Assets			
Cash and investments (Note 4)	\$ 22,753,561	\$ 3,662,045	\$ 3,123,428
Receivables:			
State of Michigan	7,774,659	-	-
Construction accounts receivable	2,578,551	-	-
Accrued interest receivable	351,203	-	-
Other	662,703	-	-
Inventory	3,404,769	-	-
Surplus properties	53,039	-	-
Prepaid costs and other	1,076,878	-	-
Capital assets (Note 5):			
Assets not being depreciated	-	-	-
Assets being depreciated - Net	-	-	-
Total assets	<u>\$ 38,655,363</u>	<u>\$ 3,662,045</u>	<u>\$ 3,123,428</u>
Liabilities and Fund Balances			
Liabilities			
Current liabilities:			
Accounts payable	\$ 6,392,420	\$ -	\$ -
Advances and deposits	2,415,610	-	-
Provision for uninsured losses (Note 6)	-	-	-
Accrued workers' compensation (Note 6)	106,690	-	-
Accrued liabilities and other	994,011	-	-
Noncurrent liabilities:			
Provision for uninsured losses (Note 6)	-	-	-
Accrued workers' compensation liabilities (Note 6)	-	-	-
Accrued sick and vacation	-	-	-
Total liabilities	9,908,731	-	-
Fund Balances - Unreserved			
Designated (Note 9)	28,746,632	-	3,123,428
Undesignated	-	3,662,045	-
Total fund balances	28,746,632	3,662,045	3,123,428
Total liabilities and fund balances	<u>\$ 38,655,363</u>	<u>\$ 3,662,045</u>	<u>\$ 3,123,428</u>
Net Assets			
Invested in capital assets			
Unrestricted			
Total net assets			

Governmental Funds Balance Sheet/Statement of Net Assets
September 30, 2005

Total Governmental Funds	Adjustments (Note 2)	Statement of Net Assets
\$ 29,539,034	\$ 9,108,287	\$ 38,647,321
7,774,659	-	7,774,659
2,578,551	-	2,578,551
351,203	-	351,203
662,703	-	662,703
3,404,769	-	3,404,769
53,039	-	53,039
1,076,878	120,000	1,196,878
-	172,567,067	172,567,067
-	530,625,758	530,625,758
\$ 45,440,836	712,421,112	757,861,948
\$ 6,392,420	-	6,392,420
2,415,610	-	2,415,610
-	16,765	16,765
106,690	-	106,690
994,011	(175,818)	818,193
-	1,603,773	1,603,773
-	281,613	281,613
-	1,438,284	1,438,284
9,908,731	3,164,617	13,073,348
31,870,060	(31,870,060)	-
3,662,045	(3,662,045)	-
35,532,105	(35,532,105)	-
\$ 45,440,836	(32,367,488)	13,073,348
	703,192,825	703,192,825
	41,595,775	41,595,775
	\$ 744,788,600	\$ 744,788,600

Road Commission of Macomb County

		Nonmajor Funds	
	Major Fund - Road	Postemployment Benefits	Capital Projects
Revenue			
Licenses, permits, and fees	\$ 749,953	\$ -	\$ -
Federal aid for construction	11,755,418	-	-
State revenue:			
Michigan Transportation Fund	36,556,985	-	-
Build Michigan Fund	1,399,005	-	-
Category C Fund	6,715,178	-	-
State Critical Bridge	137,694	-	-
Contributions from local units:			
Cities	2,226,238	-	-
Townships	3,781,725	-	-
County	1,153,467	-	-
Charges for services:			
State trunkline maintenance	5,972,339	-	-
State nonmaintenance	1,523,569	-	-
Other revenue:			
Cities, townships, and other	2,398,218	-	-
Inspections	808,393	-	-
Land and roads released from developers	-	-	-
Interest	741,230	-	97,279
Sale of land, property, rental, and other	2,159,152	-	-
Total revenue	78,078,564	-	97,279
Expenditures/Expenses - Current			
Primary road	38,887,547	-	-
Local road	16,927,613	-	-
Primary bridges	410,273	-	-
Local bridges	3,778,063	-	-
State maintenance	4,153,299	-	-
State nonmaintenance	694,269	-	-
Equipment rental credits - Net of equipment expense	(926,945)	-	-
Engineering	883,344	-	-
Administrative	989,436	-	-
Inspections and other	1,743,473	-	-
Distributive fringe benefits	13,559,383	-	-
Other distributive expense	5,118,150	-	-
Capital outlay - Net of depreciation credits	(496,672)	-	-
Depreciation expense	-	-	-
Total expenditures/expenses	85,721,233	-	-

**Statement of Governmental Revenues, Expenditures, and Changes in
Fund Balances/Statement of Activities
Year Ended September 30, 2005**

Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
\$ 749,953	\$ -	\$ 749,953
11,755,418	-	11,755,418
36,556,985	-	36,556,985
1,399,005	-	1,399,005
6,715,178	-	6,715,178
137,694	-	137,694
2,226,238	-	2,226,238
3,781,725	-	3,781,725
1,153,467	-	1,153,467
5,972,339	-	5,972,339
1,523,569	-	1,523,569
2,398,218	-	2,398,218
808,393	-	808,393
-	6,014,155	6,014,155
838,509	-	838,509
2,159,152	(89,353)	2,069,799
78,175,843	5,924,802	84,100,645
38,887,547	(35,114,926)	3,772,621
16,927,613	(10,028,185)	6,899,428
410,273	(273,114)	137,159
3,778,063	(4,278,780)	(500,717)
4,153,299	-	4,153,299
694,269	-	694,269
(926,945)	-	(926,945)
883,344	-	883,344
989,436	-	989,436
1,743,473	-	1,743,473
13,559,383	85,418	13,644,801
5,118,150	-	5,118,150
(496,672)	(3,156,039)	(3,652,711)
-	33,559,857	33,559,857
85,721,233	(19,205,769)	66,515,464

Road Commission of Macomb County

		Nonmajor Funds	
	Major Fund - Road	Postemployment Benefits	Capital Projects
Excess of Revenues Over (Under) Expenditures/ Change in Net Assets	\$ (7,642,669)	\$ -	\$ 97,279
Other Financing Sources (Uses) - Transfers	<u>(679,345)</u>	<u>1,307,432</u>	<u>(628,087)</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Uses	(8,322,014)	1,307,432	(530,808)
Fund Balances/Net Assets - October 1, 2004 (as restated, Note I)	<u>37,068,646</u>	<u>2,354,613</u>	<u>3,654,236</u>
Fund Balances/Net Assets - September 30, 2005	<u>\$ 28,746,632</u>	<u>\$ 3,662,045</u>	<u>\$ 3,123,428</u>

**Statement of Governmental Revenues, Expenditures, and Changes in
Fund Balances/Statement of Activities (Continued)
Year Ended September 30, 2005**

Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
\$ (7,545,390)	\$ 25,130,571	\$ 17,585,181
<u>-</u>	<u>-</u>	<u>-</u>
(7,545,390)	25,130,571	17,585,181
<u>43,077,495</u>	<u>684,125,924</u>	<u>727,203,419</u>
<u>\$ 35,532,105</u>	<u>\$ 709,256,495</u>	<u>\$ 744,788,600</u>

Road Commission of Macomb County

Road Fund Budgetary Comparison Schedule Year Ended September 30, 2005

	Original Budget	Amended Budget	Actual
Revenue			
Licenses, permits, and fees	\$ 752,000	\$ 752,000	\$ 749,953
Federal aid for construction	7,132,000	11,196,984	11,755,418
State revenue:			
Michigan Transportation Fund	36,210,000	36,054,648	36,556,985
Build Michigan Fund	1,308,000	1,271,321	1,399,005
Category C Fund	24,958,200	6,051,234	6,715,178
State Critical Bridge	992,160	159,484	137,694
Contributions from local units:			
Cities	837,500	2,210,000	2,226,238
Townships	1,911,992	2,345,190	3,781,725
County	2,997,420	841,901	1,153,467
Other	50,000	698,774	-
Charges for services:			
State trunkline maintenance	5,350,239	5,800,239	5,972,339
State nonmaintenance	600,000	600,000	1,523,569
Other revenue:			
Cities, townships, and other	1,410,000	1,339,630	2,398,218
Inspections	860,000	860,000	808,393
Interest	714,178	694,920	741,230
Sale of land, property, rental, and other	160,500	219,765	2,159,152
Total revenue	86,244,189	71,096,090	78,078,564
Expenditures - Current			
Primary road	54,675,657	36,885,025	38,887,547
Local road	11,195,522	15,668,771	16,927,613
Primary bridges	349,000	475,000	410,273
Local bridges	6,770,500	3,825,000	3,778,063
State maintenance	3,776,999	4,493,359	4,153,299
State nonmaintenance	661,500	811,500	694,269
Equipment rental credits - Net of equipment expense	(1,200,000)	(2,125,642)	(926,945)
Engineering	945,000	945,000	883,344
Administrative	1,740,350	1,740,350	989,436
Inspections and other	1,803,450	1,803,450	1,743,473
Distributive fringe benefits	12,001,490	13,978,862	13,559,383
Other distributive expense	4,654,615	5,207,089	5,118,150
Capital projects	1,500,000	-	-
Capital outlay - Net of depreciation credits	930,449	525,958	(496,672)
Total expenditures	99,804,532	84,233,722	85,721,233
Excess of Expenditures Over Revenue	(13,560,343)	(13,137,632)	(7,642,669)
Other Financing Uses - Operating transfers	(3,500,000)	(3,500,000)	(679,345)
Excess of Expenditures and Other Uses Over Revenue	(17,060,343)	(16,637,632)	(8,322,014)
Fund Balance - October 1, 2004 (as restated, Note 1)	37,068,646	37,068,646	37,068,646
Fund Balance - September 30, 2005	<u>\$ 20,008,303</u>	<u>\$ 20,431,014</u>	<u>\$ 28,746,632</u>

Road Commission of Macomb County

Proprietary Fund - Internal Service Fund - General Liability Self-insurance Fund Statement of Net Assets September 30, 2005

Assets - Current

Cash and investments (Note 4)	\$ 9,108,287
Prepaid costs and other assets	<u>120,000</u>
Total assets	9,228,287

Liabilities

Current liabilities - Provision for uninsured losses (Note 6)	16,765
Noncurrent liabilities - Provision for uninsured losses (Note 6)	<u>1,603,773</u>
Total liabilities	<u>1,620,538</u>

Net Assets - Unrestricted	<u><u>\$ 7,607,749</u></u>
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Road Commission of Macomb County

Proprietary Fund - Internal Service Fund - General Liability Self-insurance Fund Statement of Revenues, Expenses, and Changes in Net Assets Year Ended September 30, 2005

Operating Expenses

Settlements, premiums, and other	\$ 258,098
Decrease in allowance for unsettled claims incurred but not reported	<u>(125,997)</u>

Operating Loss (132,101)

Nonoperating Revenues - Interest income 284,671

Increase in Net Assets 152,570

Net Assets - Beginning of year 7,455,179

Net Assets - End of year \$ 7,607,749

Road Commission of Macomb County

Proprietary Fund - Internal Service Fund - General Liability Self-insurance Fund Statement of Cash Flows Year Ended September 30, 2005

Cash Flows from Operating Activities - Claims, settlements, premiums, and other items paid	\$ (258,098)
Cash Flows from Investing Activities	
Interest received on investments	284,671
Net proceeds and purchases of investment securities	<u>(26,573)</u>
Net cash provided by investing activities	<u>258,098</u>
Net Change in Cash and Cash Equivalents	-
Cash and Cash Equivalents - Beginning of year	<u>-</u>
Cash and Cash Equivalents - End of year	<u><u>\$ -</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities	
Operating loss	\$ (132,101)
Adjustments to reconcile operating loss to net cash from operating activities - Change in provision for uninsured losses and liabilities	<u>(125,997)</u>
Net cash used in operating activities	<u><u>\$ (258,098)</u></u>
Reconciliation to Balance Sheet	
Cash and investments recorded on balance sheet/statement of net assets	\$ 9,108,287
Less fixed-term investments	<u>(9,108,287)</u>
Total	<u><u>\$ -</u></u>

Noncash Investing, Capital, and Financing Activities - During the year ended September 30, 2005, there were no noncash investing, capital, or financing activities.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note I - Significant Accounting Policies

The Road Commission of the County of Macomb, Michigan (the "Road Commission") is a governmental agency responsible for the maintenance and construction of the road system in Macomb County. The Road Commission's financial statements will be included in the basic financial statements of the County of Macomb, Michigan as a discretely presented component unit.

The accounting policies of the Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity

The Road Commission is governed by an appointed three-member board of commissioners. As required by accounting principles generally accepted in the United States of America, these financial statements present the Road Commission of Macomb County. In accordance with accounting principles generally accepted in the United States of America, there are no component units included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Road Commission. For the most part, the effect of interfund activity has been removed from these statements. The Road Commission consists solely of governmental-type activities; no business-type activities exist.

The fund financial statements are provided for governmental funds and are included in the government-wide financial statements. Major and nonmajor individual governmental funds are reported as separate columns. Separate financial statements are provided for the proprietary fund.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note I - Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Road Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Amounts collected beyond this time period are recorded as deferred revenue. Revenue related to construction projects and inspection work orders is recognized when the related costs are incurred, subject to the availability criterion. Billings on the contracts include a provision for fringe benefits and overhead. No profit is recognized on these contracts. Interest associated with the current fiscal period is considered susceptible to accrual and has been recognized as revenue of the current fiscal period. Deposits with the State of Michigan for construction projects earn interest that is computed and credited to the Road Commission as of September 30 and recorded when received. Other revenue is recorded when received.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Expenditures for construction and work orders are recognized as the work progresses. Amounts billed to other governmental units for participation in construction or for work orders include equipment usage charges based on predetermined rates. These rates are designed to cover direct equipment operating costs, which include depreciation recorded within the government-wide statements. However, expenditures related to compensated absences and claims and judgments, accounted for within the Road Fund, are recorded only when payment is due.

The Road Fund is the Road Commission's only major governmental fund and is used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note 1 - Significant Accounting Policies (Continued)

Additionally, the Road Commission reports the following fund types:

Internal Service Fund - The Internal Service Fund is a proprietary fund type and accounts for risk management services provided to the Road Fund on a cost-reimbursement basis.

Proprietary funds distinguish operating revenue and operating expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash Equivalents - For the purpose of the statement of cash flows, the Road Commission does not include fixed-term investments (such as certificates of deposit) as cash equivalents. Only cash items (cash on hand, checking accounts, and savings accounts) are included.

Investments - Investments are reported at fair value, based on quoted market prices.

Inventory and Prepaid Costs - Inventory consists principally of road material, salt, signs, and equipment maintenance materials and is valued at the lower of average cost or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Surplus Properties - Surplus properties are recorded at the lower of acquisition cost or market.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note I - Significant Accounting Policies (Continued)

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	50 years
Land improvements	20 years
Road and other equipment	5-25 years
Infrastructure	8-50 years

Compensated Absences (Vacation and Sick Leave) - It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The government-wide statement of net assets accrues all vacation and personal pay as it is earned and sick pay as it is used or vested (whichever is earlier.) A liability for these amounts is reported in governmental funds as it comes due for payment (when time is taken off or employee is terminated.)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, such as provision for uninsured losses, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Fund Equity - In the fund financial statements, governmental funds report designations of fund balance for amounts that represent tentative management plans that are subject to change.

Prior Period Adjustment - Fund balance of the Road Fund and net assets of the governmental activities as of October 1, 2004 have been decreased by \$3,531,293 to correct an error in the allocation of certain construction costs in prior years. Had this error not been made, the prior year changes in fund balance and net assets would have been lower by \$1,389,835.

Other accounting policies are disclosed in other notes to the financial statements.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

Amounts reported in the government-wide financial statements are different from amounts reported in the governmental funds because of the following:

Governmental funds fund balance	\$ 35,532,105
Capital assets used in governmental activities are not financial resources and are not reported in the funds	703,192,825
State and local receivables are not available to pay for current year expenditures and are therefore deferred in the governmental funds	175,818
Noncurrent compensated absences and provisions for workers' compensation uninsured losses are not reported in the funds	(1,719,897)
Internal Service Funds are included as governmental activities	<u>7,607,749</u>
Government-wide net assets	<u>\$ 744,788,600</u>
Net change in fund balances - Total government funds	\$ (7,545,390)
Governmental funds report capital outlay as an expenditure; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay expenditures	52,851,422
Depreciation expense	(33,559,857)
Net book value of disposed assets	(378)
Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities and reported in the fund statements when they come due for payment	(237,988)
In the statement of activities, land and roads released from developers are reported as revenue at the fair market value and the fixed asset is capitalized	6,014,155
Internal Service Funds are also included as governmental activities	152,570
In the governmental funds, state and local revenues not collected within 60 days of year end are not available to pay for current year expenditures, whereas in the statement of activities, revenue is recognized when earned	<u>(89,353)</u>
Change in net assets of governmental activities	<u>\$ 17,585,181</u>

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note 3 - Stewardship, Compliance, and Accountability

The annual budget is prepared by the finance and MIS director and adopted by the Board of Road Commissioners; subsequent amendments are approved by the Board of Road Commissioners. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at September 30, 2005 has not been calculated. The budget was amended in a legally permissible manner.

The Road Fund budget has been adopted on an activity basis and prepared in accordance with accounting principles generally accepted in the United States of America; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. There were no significant budget variances of the Road Fund other than those disclosed in the statement of revenue, expenditures, and changes in fund balance - Road Fund - budget and actual. Copies of the adopted budget are available for comparison at the Road Commission offices.

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Road Commission is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Road Commission has adopted an investment policy in accordance with the statutory authority.

The Road Commission has designated nine banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in certificates of deposit, U.S. Treasury bills, and bank investment pools, but not the remainder of state statutory authority as listed above. The Road Commission's deposits and investment policies are in accordance with statutory authority.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note 4 - Deposits and Investments (Continued)

The Road Commission's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Road Commission has adopted a deposit policy for custodial credit risk which limits the Road Commission's investment in a individual institution to no more than 20 percent of the institution's equity and no more than 20 percent of the Road Commission's total deposit balance. At year end, \$39,486,906 of the Road Commission's deposit balance (certificates of deposit, checking, and savings accounts) of \$40,446,906 was uninsured and uncollateralized. The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Road Commission evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 5 - Capital Assets

Capital asset activity for the current year was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated - Land	\$ 167,942,410	\$ 4,624,657	\$ -	\$ 172,567,067
Capital assets being depreciated:				
Land improvements	1,317,456	-	-	1,317,456
Buildings	24,222,550	858,601	-	25,081,151
Road equipment	22,393,114	1,985,668	1,370,130	23,008,652
Other equipment	2,608,297	312,148	3,393	2,917,052
Infrastructure	745,714,960	51,084,503	-	796,799,463
Subtotal	796,256,377	54,240,920	1,373,523	849,123,774
Less accumulated depreciation for:				
Land improvements	616,297	66,005	-	682,302
Buildings	4,575,329	504,408	-	5,079,737
Road equipment	17,313,777	2,175,148	1,369,752	18,119,173
Other equipment	1,556,679	294,941	3,393	1,848,227
Infrastructure	262,249,222	30,519,355	-	292,768,577
Subtotal	286,311,304	33,559,857	1,373,145	318,498,016
Net capital assets being depreciated	509,945,073	20,681,063	378	530,625,758
Net capital assets	\$ 677,887,483	\$ 25,305,720	\$ 378	\$ 703,192,825

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note 5 - Capital Assets (Continued)

Construction Commitments - The Road Commission has three significant active resurfacing projects at year end totaling \$8,946,715. The Road Commission's cumulative expenditures and remaining commitment with these contractors as of September 30, 2005 are \$7,469,200 and \$1,477,515, respectively.

Note 6 - Risk Management

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits provided to employees but is self-funded for general liability and workers' compensation claims up to a retention amount, at which time the Road Commission's reinsurance begins. Retention amounts during the year ended September 30, 2005 were \$5,000,000 and \$325,000 for general liability and workers' compensation, respectively. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

General Liability Claims

Beginning January 17, 1993, the Road Commission assumes costs for general liability claims, including all cost associated with those claims, within certain limits. The Road Commission is liable for losses up to a retention amount per claim and is liable for losses in excess of the maximum insurance coverage.

The Road Commission estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The Road Commission has been named defendant in numerous claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. It is the opinion of legal counsel and management that reasonable estimates of the Road Commission's liability for these matters have been recorded in the General Liability Self-insurance Fund as outlined below.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note 6 - Risk Management (Continued)

Changes in the estimated recorded liability for the past two fiscal years were as follows:

	2005	2004
Estimated liability - Beginning of year	\$ 1,746,534	\$ 1,785,015
Increase (decrease) in estimated claims incurred, including changes in estimates	(62,100)	13,723
Claim payments	(63,896)	(52,204)
Estimated liability - End of year	<u>\$ 1,620,538</u>	<u>\$ 1,746,534</u>

There are also certain property and employment-related lawsuits currently pending against the Road Commission claiming amounts for damages and relief without stated limitations. These lawsuits have not yet progressed to the point where a legal opinion can be reached as to the ultimate liability, if any, which may result from the resolution of these cases. Hence, no provision has been made in the financial statements as of September 30, 2005 for any ultimate liability related to these matters in excess of the estimated liability discussed above. However, in the opinion of Road Commission management and legal counsel, the probable additional exposure of the Road Commission for these lawsuits is immaterial to the financial statements.

Workers' Compensation Claims

The Road Commission assumes costs for workers' compensation claims within certain limits.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note 6 - Risk Management (Continued)

The Road Commission estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The current portion of these estimates is recorded in the Road Fund. The government-wide balance sheet/statement of net assets includes the current and long-term portions of these estimates. Changes in the estimated liability for the past two fiscal years were as follows:

	2005	2004
Estimated liability - Beginning of year	\$ 346,775	\$ 266,269
Increase in estimated claims incurred, including changes in estimates	292,968	251,440
Claim payments	(251,440)	(170,934)
Estimated liability - End of year	<u>\$ 388,303</u>	<u>\$ 346,775</u>

The Road Commission recognizes liabilities for environmental remediation costs when such obligations are probable and reasonably estimable. During the year ended June 30, 2001, the Road Commission sold certain property. An environmental assessment was performed subsequent to the sale, which indicated the presence of certain compounds in excess of applicable limits. In its status as former owner and operator and as a generator of solid waste, the Road Commission could be found to be a potentially responsible party. Preliminary cost estimates related to remediation are immaterial; therefore, no amounts have been accrued.

Note 7 - Postemployment Benefits

The Road Commission provides health care and dental benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, 250 retirees are eligible. The Road Commission includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participants. The Road Commission purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this approximated \$2,300,000.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note 7 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Government Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending September 30, 2007.

Note 8 - Defined Benefit Pension Plan

Plan Description

The Road Commission contributes to the Macomb County Employees’ Retirement System, an agent multiple-employer defined benefit pension plan that covers all full-time employees of the Road Commission. The Macomb County Employees’ Retirement System provides retirement, disability, and death benefits to plan members and their beneficiaries. The Macomb County Employees’ Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Macomb County Employees’ Retirement System. That report may be obtained by writing to the Retirement Commission at 10 N. Main, Mt. Clemens, Michigan 48043.

Funding Policy

The obligation to contribute to and maintain the Macomb County Employees’ Retirement System for these employees was established by negotiation with the Road Commission’s competitive bargaining units and requires a contribution from the employees of 3.5 percent of gross wages from all covered employees.

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note 8 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For the valuation year ended December 31, 2004, the Road Commission's annual pension cost of \$2,008,363 for the plan was equal to the Road Commission's required and actual contribution of \$2,008,363. The annual required contribution was determined as part of an actuarial valuation at December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 5 percent per year, compounded annually and attributable to inflation, (c) additional projected salary increases of up to 5 percent per year, depending on service and attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The remaining UAAL (or overfunding) was amortized by level percentage of payroll contributions over 12 years, except for liabilities created by plan changes, assumption changes, or method changes, which are amortized over 16 years.

Additional pension plan information for the Road Commission is as follows:

	Plan Year Ended December 31		
	2004	2003	2002
Annual pension cost (APC)	\$ 2,008,363	\$ 964,174	\$ 372,158
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Valuation Year Ended December 31		
	2004	2003	2002
Actuarial value of assets	\$ 87,876,994	\$ 84,102,585	\$ 85,917,264
Actuarial accrued liability (AAL) (entry age)	\$ 94,783,521	\$ 90,840,389	\$ 85,178,635
(Underfunded)/Overfunded AAL	\$ (6,906,527)	\$ (6,737,804)	\$ 738,629
Funded ratio	92.71%	92.58%	100.87%
Covered payroll	\$ 16,363,729	\$ 15,166,250	\$ 14,370,596
UAAL as a percentage of covered payroll	42.21%	44.43%	-%

Road Commission of Macomb County

Notes to Financial Statements September 30, 2005

Note 9 - Designated Fund Balance

Fund balances at September 30, 2005 have been designated for the following purposes:

	Major Fund - Road Fund	Nonmajor Fund - Capital Projects Fund
Subsequent year's expenditures	\$ 16,766,787	\$ 1,873,428
Bridge projects	9,629,845	-
Traffic signal upgrades	600,000	-
Salt storage	-	500,000
Pavement management study	500,000	-
Sign inventory	500,000	-
Building demolition and construction	-	750,000
Guardrail replacement	750,000	-
Total	<u>\$ 28,746,632</u>	<u>\$ 3,123,428</u>

December 15, 2005

Board of Road Commissioners
Road Commission of Macomb County
117 S. Groesbeck Highway
Mt. Clemens, Michigan 48043

Dear Commissioners:

We have recently completed our audit of the Road Commission of Macomb County for the year ended September 30, 2005. In addition to our audit report, we offer the following comments and recommendations for your consideration as the policy making body of the Road Commission:

Financial Condition and Long-Term Budgeting Considerations

During the year ended September 30, 2005, fund balance of the Road Commission's Road Fund decreased significantly, over \$8 million, to approximately \$28.7 million. The Road Fund's fund equity provides an essential source of working capital and allows the Road Commission the ability to maintain its desired level of services, while having the ability to respond to unforeseen needs. It is critically important to maintain adequate levels of fund balance as economic difficulties continue with the state's budget challenges and future revenue uncertainties.

While preparing and evaluating long-term financial projections, the Road Commission should continue to consider alternative funding levels, the possible further acceleration of increases in expenditures, and other scenarios in order to anticipate changes in financial trends as quickly as possible.

GOVERNMENTAL ACCOUNTING PRONOUNCEMENTS

GASB #40, Investment Risk Disclosures

During the year ended June 30, 2005, the Road Commission adopted Governmental Accounting Standards Board Statement #40, *Deposit and Investment Risk Disclosures* (GASB #40,) as required. This pronouncement requires expanded disclosures in the footnotes to the financial statements of the risks associated with the Road Commission's investments, and the Road Commission's policies for addressing those risks.

GASB #40 separates the risk disclosures into five areas: custodial, interest rate, credit, concentration and foreign currency. We encourage the Road Commission to periodically review its investment policies to address any changes in the investment risk environment and to ensure that investment performance is in line with the Road Commission's goals.

GASB #45, Retiree Health Care Benefits

As a reminder, the Governmental Accounting Standards Board's Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB #45), provides guidance for local units of government in recognizing the cost of retiree health care benefits. The intent of the new rules is to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. These new rules will apply to the government wide financial statements, rather than the individual fund level. As a result, you will not need to change your budgeting practices as it relates to recording the long-term liability.

As you are aware, the promise to provide health care to retirees is very similar to the promise to provide an annual pension check. The new pronouncement will require the Road Commission to obtain an actuarial valuation of the total obligation to provide retiree health care benefits to current employees as well as those already retired. In addition, the Road Commission's funding status, meaning the progress it has made in accumulating assets to pay for this liability, will be disclosed in the financial statements. Lastly, the Road Commission will be required to make an annual contribution that the actuary deems necessary to fund the liability over a 30-year period. The Road Commission will need to consider this increased cost for budgeting purposes since the annual payments will not only include the cost of current health insurance premiums for retirees, which totaled \$2.3 million in the current fiscal year, but also contributions toward pre-funding the plan.

As you know, the Road Commission already established a separate fund to account for these benefits and continues to set aside funds for this liability. The statement is not effective until the Road Commission's 2006-07 fiscal year; however, we recommend that the Road Commission begin evaluating the pre-funding post-employment benefit obligations on an actuarial basis. Actuarial funding generally provides the best mechanism for funding obligations over long periods of time and multiple budget cycles. We are happy to further assist the Road Commission in this endeavor.

GASB #42, Impairment of Capital Assets

GASB Statement #42, *Impairment of Capital Assets*, will be effective for the Road Commission for the year ended September 30, 2006. GASB #42 outlines the requirements for recognizing an impaired asset in the financial statements and addresses the accounting for any related insurance proceeds. Capital assets are considered to be impaired when the service utility has declined significantly and unexpectedly. We encourage the Road Commission to evaluate its recorded capital assets for impairment and evaluate the impact of potential asset write-downs that may be required under the new pronouncement, paying particular attention for idle equipment or facilities that are no longer used by the Road Commission.

Financial Audit Preparedness

We extend our compliments to the Finance Department's staff for the additional efforts in critically analyzing many accounts and account history in preparation for the audit. These individuals spent considerable time preparing for the audit by reconciling accounts and

December 15, 2005

preparing schedules. This extra effort resulted in fewer audit adjustments this year than were made in previous years.

We sincerely thank the Commissioners for the opportunity to serve as auditors for the Road Commission as we strive to meet or exceed your expectations. We also express our appreciation for the courtesy and cooperation extended to us by Ms. Mykytiak, the finance department and all personnel at the administration building during the audit. As always, we are happy to answer any questions or concerns you have regarding the annual financial report or the above comments at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Christina M. Kostiuk



Lisa C. Manetta

cc: Ms. Michelle Mykytiak